BANKRUPTCY REFORM/Mandatory Credit Terms for Good Credit Risks

SUBJECT: **Consumer Bankruptcy Reform Act . . . S. 1301. Grassley motion to table the Reed amendment No. 3596 to the Grassley/Hatch substitute amendment No. 3559 to the committee substitute.**

ACTION: MOTION TO TABLE FAILED, 47-52

SYNOPSIS: As reported with a substitute amendment, S. 1301, the Consumer Bankruptcy Reform Act, will enact reforms to prevent creditors who have the means of paying their debts from unjustly filing for bankruptcy, and will enact reforms to protect consumers from unfair credit practices.

The Grassley/Hatch substitute amendment would retain the underlying substitute amendment's provisions, would modify the pre-bankruptcy counseling requirement, and would add provisions relating to business bankruptcies.

The Reed amendment would require credit card companies to continue offering credit, and to do so without penalty, to creditors who paid their accounts in full each month.

Debate was limited by unanimous consent. After debate, Senator Grassley moved to table the amendment. Generally, those favoring the motion to table opposed the amendment; those opposing the motion to table favored the amendment.

NOTE: After the vote, the amendment was accepted by voice vote.

Those favoring the motion to table contended:

Our first objection to this amendment is procedural. The effects of changes to personal credit terms are so great that they should only be made after careful deliberation and hearings. If we were to act precipitously we could cause a great deal of harm. We recall, for instance, a few years ago when Senators tried to cap credit card interest rates. The stock market dropped 120 points in a single day as a result of that effort. Our greater objection is substantive. The Reed amendment would unwisely interfere in the credit market. The credit industry is growing increasingly competitive, as is demonstrated by declining interest rates. Consumers have many

(See other side)

YEAS (47)			NAYS (52)			NOT VOTING (1)	
Republicans (47 or 85%)		Democrats (0 or 0%)	Republicans (8 or 15%)	Democrats (44 or 100%)		Republicans (0)	Democrats (1)
Abraham	Helms		Bond	Akaka	Johnson		Hollings-[2]
Allard	Hutchinson		Campbell	Baucus	Kennedy		
Ashcroft	Inhofe		D'Amato	Biden	Kerrey		
Bennett	Kempthorne		Hutchison	Bingaman	Kerry		
Brownback	Kyl		Jeffords	Boxer	Kohl		
Burns	Lott		Murkowski	Breaux	Landrieu		
Chafee	Lugar		Roth	Bryan	Lautenberg		
Coats	Mack		Specter	Bumpers	Leahy		
Cochran	McCain			Byrd	Levin		
Collins	McConnell			Cleland	Lieberman		
Coverdell	Nickles			Conrad	Mikulski		
Craig	Roberts			Daschle	Moseley-Braun		
DeWine	Santorum			Dodd	Moynihan		
Domenici	Sessions			Dorgan	Murray		
Enzi	Shelby			Durbin	Reed		
Faircloth	Smith, Bob			Feingold	Reid		
Frist	Smith, Gordon			Feinstein	Robb		
Gorton	Snowe			Ford	Rockefeller		
Gramm	Stevens			Glenn	Sarbanes		
Grams	Thomas			Graham	Torricelli		
Grassley	Thompson			Harkin	Wellstone		
Gregg	Thurmond			Inouye	Wyden		
Hagel	Warner						
Hatch							

EXPLANATION OF ABSENCE:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

options (there are currently more than 6,000 credit card issuers in the United States), and are free to choose the options that best suit their needs. They can select options based on interest rates, membership fees, and services provided. The Reed amendment, by requiring every credit card company to treat in exactly the same manner those borrowers who repay the most quickly, would limit consumers' options and would thus drive up prices overall. People who are cancelled by credit card companies because they are good risks may be slightly inconvenienced, but they certainly have no problem in finding other lenders who will eagerly offer them services. The fact is that nowadays everyone, whether a good credit risk or bad, is constantly bombarded with offers of credit on various terms. If a private business decides that it wants to specialize in good credit risks, or in people who take longer to pay off their debts, or even in people who are likely to default on their debts, that is its business. The Federal Government should not tell private companies to whom they should cater and on what terms. The Reed amendment's mandate is ill-advised. We urge our colleagues to table this amendment.

Those opposing the motion to table contended:

Some credit card companies have recently begun penalizing or canceling people who pay their bills on time and in full. We do not think that it should be legal to discriminate against people because they pay promptly. Everyone who meets the requirements for credit and who does not violate the terms of receiving that credit should be treated equally. Some credit card companies claim that they cannot make any money off people who pay up before they incur interest charges. However, lenders already get a substantial percentage from merchants every time a credit card purchase is made, and they also can charge other fees so long as they charge those fees to all their customers. The purpose of this bill is to make bankruptcy reforms in order to stop people from irresponsibly piling up debts they cannot repay. The Reed amendment would further that goal by stopping credit card companies from punishing or canceling their most responsible customers. This amendment should not be tabled.